Annual Report

INTERNATIONAL SHOE COMPANY

1951

1951 Annual Report Cover
shows a sampling of the more than 5000 stock numbers in the Company's lines and the principal brand names.

TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.
Mercantile Trust Company, St. Louis, Mo.

REGISTRARS

Guaranty Trust Company, New York, N. Y.
St. Louis Union Trust Company, St. Louis, Mo.

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PRINCIPAL OFFICERS

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Chairman of the Board
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ANDREW W. JOHNSON
Vice-President and Treasurer
OLIVER F. PETERS, *Vice-President*
HENRY H. RAND, *Vice-President*
J. LEE JOHNSON, *Vice-President*
ROBERT O. MONNIG
Vice-President and Comptroller
CARL E. BRUECKMANN, *Secretary*
WILLIAM N. SITTON, *Assistant Treasurer*

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HENRY H. RAND
REZIN H. RICHARDS
RICHARD O. RUMER
WILLIAM N. SITTON

The Annual Meeting of Stockholders will be held on February 25, 1952

ISCO

THE RESULTS *for* 1951

Financial highlights for the fiscal year ended November 30, 1951, and comparison with 1950

	1951	1950
We produced shoes which were sold to others in the amount of	$223,317,150	$198,640,018
We produced leather and other materials for use by us in the manufacture of shoes	100,326,907	75,266,550
Total value of product	323,644,057	273,906,568
Income before federal income taxes	20,321,019	19,151,410
Federal taxes on income	11,343,001	8,193,703
Net income	8,978,018	10,957,707
% of sales	4.0%	5.5%
% of total value of product	2.8%	4.0%
Earnings per share	$2.64	$3.22
Dividends per share	$2.40	$2.55

HOW OUR 1951 SALES DOLLARS WERE USED

For materials, supplies and expenses	$119,463,682	53.5%
For employees' pay and benefits	80,762,870	36.2
For tools wearing out (depreciation)	1,861,469	.8
For payments ordered by Government (taxes)	12,251,111	5.5
For dividends to stockholders	8,158,080	3.6
Remainder used in the business	819,938	.4
	$223,317,150	100.0%

Detailed financial statements are presented beginning on Page 14 of this report.

Byron A. Gray, Chairman of the Board and Edgar E. Bond, President.

Annual Message

from the Chairman of the Board and the President to our stockholders

On the opposite page are the financial highlights for the year 1951. Here are comments on these and other significant developments of the year which affected our Company.

SALES

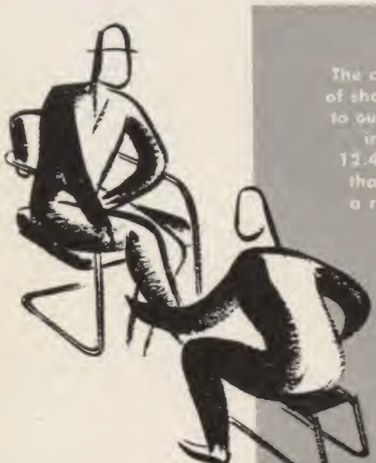
Sales of $223,317,150 are a record high for our Company, exceeding the previous high year of 1948 when sales were $219,804,880.

Military sales amounted to $33,248,604 and civilian sales totaled $190,068,546.

Civilian Sales. The $190,068,546 of civilian sales was 4% less than civilian sales in 1950. After running above the previous year in the first half of our fiscal year, sales of civilian shoes in the second half fell below the previous year sufficiently to cause a small decrease in civilian sales for the year as a whole.

Civilian shoe sales in 1951 were affected by a most unusual sequence of events which occurred during the 18-month period from June 1950 through November 1951. Beginning with the Korean flare-up, there followed the inauguration and develop-

SALES



The dollar value of shoes shipped to our customers in 1951 was 12.4% greater than in 1950, a record high

ment of the defense program, the spectacular rise in prices of hides, followed closely by leather, and later by shoes, the inventory accumulation by retailers, wholesalers and manufacturers, and the government price and wage ceilings and other controls.

It is now reasonably clear that the consumer bought just about the same number of pairs of shoes in 1950 and 1951 as he did in 1949. This was true, it should be emphasized, in terms of yearly totals only. What threw the shoe and leather industries somewhat off balance in their planning, was the uneven tempo of consumer buying, with non-seasonal short periods of quickened buying offset by other non-seasonal periods of slowed-down buying.

The shoe retailer, wholesaler and manufacturer, the leather tanner, the hide producer and dealer, all misjudged the situation, aided and abetted by government agencies' constant warnings of impending shortages and inflation, not to mention the rather hurried imposition of price ceilings and of controls over consumption of some items, including hides. All hurried to buy and produce against the predicted shortages with the result that accumulations of extra quantities existed all along the line in hides, leather and shoes when it finally became apparent about mid-1951 that all soft goods were plentiful. Thus, the last half of 1951 was spent in correcting inventory excesses. This resulted in a slowdown of production at the shoe manufacturing level that was more pronounced than the slowdown of buying at the retail level.

Further facts and comments on the difficulties encountered by our Company and our industry in this no-war-no-peace state of confusion are found elsewhere in this letter.

Military Sales. Government buying of large quantities of military boots and shoes, planned soon after Korea, and ordered in the late months of 1950, lay at the bottom of all of the disturbances mentioned in our comments on civilian sales. The rate of this first procurement did foreshadow shortages of hides and leather if extended for a year or two. What was not known with any degree of clarity was that this first procurement was designed to build stockpiles in a comparatively short time; after which, consumption of these boots and shoes would justify only a much lower rate of buying by the government.

It would appear much more than coincidental that the whole shoe and leather production and price structure began a definite change about the time it was announced that production of boots and shoes for the government would drop rather abruptly to about one-half its previous rate, going into the last half of the year 1951.

Our Company booked substantial orders for military footwear in late 1950 but did not commence delivery before the start of its 1951 fiscal year. Of the total deliveries of $33 million during the year, $13 million was delivered in the first half, and $20 million in the second half.

Deliveries, however, ran from two to six months behind ordering. As previously stated, during the last half of 1951, the ordering by military procurement agencies dropped substantially and the present rate is very much less than a year ago. With the sharply reduced amount of available contracts, the procurement agencies returned to competitive bidding. With the considerable decline in civilian business experienced by the industry as a whole, competition for government business became over-eager and the bidding quickly returned to the pre-Korean type. Under this type of bidding the industry delivers boots and shoes to the government substantially below cost. This we regarded and still regard as unsound. For this reason, we anticipate a much smaller amount of military production by our Company in its 1952 fiscal year.

INCOME

Income, before federal income taxes, of $20,321,019 exceeded that of the previous year by $1,169,609 and was 9% of sales in 1951, about the same as in 1950.

A huge increase occurred in federal income taxes—$11,343,-001 in 1951 compared with $8,193,703 in 1950. This caused the amount of income remaining for dividends to stockholders and for reinvestment in the business to be noticeably lower in 1951 than in 1950 despite the higher income earned before taxes.

The amount of such net income was $8,978,018 compared with $10,957,707 in the previous year, 4.0% of sales compared with 5.5% in the prior year.

Stated in terms of earnings per share of stock, net income was $2.64 per share in 1951 compared with $3.22 in 1950.

INCOME AND TAXES

COMPANY PAYS 163rd DIVIDEND

TAXES

Federal tax rates on income, after being raised from 38% to 45% effective July 1, 1950 were increased to 47% in January 1951 at which time an additional tax of 30% was levied on income treated under this law as "excess profits." Later in 1951 another increase was enacted raising the normal and surtax rates to 52% and continuing the 30% on the so-called "excess profits." This means that the corporate taxpayer cannot earn more than 83% of the average of what was earned in the best three years of 1946-7-8-9, without the excess being taxed at 82%.

This explains why our Company must pay $3,149,298 more federal income taxes in 1951 than in 1950, with earnings but $1,169,609 larger. With an increase of 6% in income there is an increase of 38% in taxes. The amount of the tax exceeds any war year except 1943 and roughly equals that peak year.

Another fact which provides a basis for measuring the present federal tax bite is this. Our Company must pay "excess profits" taxes at practically confiscatory rates on over $3,000,000 of its $20,321,019 income in 1951 despite the fact that this is less than its earnings of $22,593,779 in 1947 and $22,008,601 in 1948, two years which are considered reasonably normal years.

We estimate that our Company can earn (after normal and surtax of 52%) approximately $2.40 per share before the excess profits tax rate begins to apply—assuming that conditions affecting the excess profits credit continue about the same as in 1951.

DIVIDENDS

Completing 39 years of uninterrupted dividend payments, our Company paid its 163rd consecutive dividend on January 30, 1952. This date was set 29 days later than the usual January 1 date in order to make the worth-while saving in "excess profits" taxes which results from postponing the dividend payment beyond 60 days after the close of the Company's fiscal year. As explained in a letter to stockholders dated December 4, 1951, this will not necessitate any change in the usual dividend dates of April 1, July 1 and October 1.

This latest dividend is at the rate of 60¢ per share, the same quarterly amount paid regularly since April 1, 1950, and at the

annual rate of $2.40. Our Company's earnings have averaged $3.26 annually for the last five years and our dividends $2.64. These compare with average earnings of $1.83 annually and dividends of $1.80 for the preceding five years.

During the ten-year period referred to, prices of raw materials have about doubled and this has caused capital investment in inventories and receivables to increase in similar proportions. Despite these tremendous changes, our Company has continued regular cash dividends and finds itself at the close of 1951 in a satisfactory liquid position without any notes payable to banks.

COSTS and PRICES

Our Company advanced shoe prices on December 9, 1950, immediately after the opening of our 1951 fiscal year. Another advance was made on January 17 and remained in effect until February 23. On February 23 we took the lead in the industry by substantially reducing prices anticipating the trend which became evident later on. This level of prices held until October 1, 1951, when a second general reduction was put into effect. A third decrease was made effective December 3, the date on which we started shipping the new spring line.

Our wage and salary rates were increased approximately the same amount as in the previous year, making a total of 12% in the past 18 months.

Costs and prices were unusually difficult to deal with during the year. As an aftermath of the Korean outbreak in June 1950, the year 1951 opened with hide and leather prices at peaks far above the pre-Korean level, and above the immediate post-World-War-II peaks. In fact, they were the highest on record except for a short period after World War I.

The main economic basis for the spectacular run-up in prices was the military procurement of shoes which late in 1950 assumed proportions which indicated that a shortage of leather might develop if military buying at that rate continued for an extended period. Occurrences in the civilian markets did not justify such an excited price rise.

The whole matter was intensified and compounded by the entrance into the situation of Government controls in the form

of price ceilings by the Office of Price Stabilization and quantity allocation of available and foreseeable hide supplies by the National Production Authority.

Viewed retrospectively and in the light of ensuing events, the happenings in the hide, leather and shoe industries during the period of December 1950 through June 1951 take on the color and atmosphere of comic opera. It seemed, at least, that everything that was expected did not happen, while everything that was not expected did happen. While future developments in the year 1952 might still modify this judgment, as of the close of the year 1951, all of the furor of preparedness against shortages and inflation at the opening of the year 1951 appears to have been futile.

Instead of a shortage of shoes, the surplus was large enough to cause the industry to operate at lower levels during the last half of the year. Instead of prices bumping the ceilings established with much effort and travail by Government and industry, there were sagging markets in raw materials, declining prices in shoes at the wholesale level, and lagging retail sales which produced an inordinate amount of markdown "sales" throughout the country.

The consumer of shoes—and he was the same individual who bought clothing, textiles, and all sorts of soft goods – took charge. When he sensed that things were not going to be in short supply after all, but plentiful, he soon had the situation well in hand. Retailer, wholesaler, manufacturer began quickly to accept his veto of high prices. By the time his judgment was clearly known, everyone along the line, back to the dealer in hides, moved in the direction he pointed.

Forgotten were the positive forecasts by governmental authorities of the certainty of inflation. Forgotten were the warnings of shortages. Downward went production. Downward started prices. The law of supply and demand prevailed. There was no thwarting or circumventing of this supreme law of free enterprise—supply and demand. So goes the story of costs and prices in the last half of 1951, a period entirely different from what was expected by the Government, the industry and the economic experts.

Pouring rubber cement in our new cement manufacturing plant located in St. Louis. Annual production will exceed 400,000 gallons.

PRODUCTION

The production of our 53 shoe factories totaled 48,333,381 pairs for the year. This is more than 10% of all the shoes produced in the United States.

In addition, our 23 other plants produced leather, cut soles, rubber heels and soles, cotton textiles and many other articles in the large quantities shown on the production summary on page 20 for use by us in the manufacture of shoes.

Our production in pairs of shoes decreased about 6% for the year. This is roughly in line with the experience of the industry which will probably show a similar or slightly greater decrease for the year when the final Bureau of Census figures are published.

This decrease in production of our Company and the industry occurred despite a large amount of military production for the year. Civilian production showed a decrease of something over 10%. As far as can be discerned in the statistical information available at this time, the decrease in production of civilian shoes in 1951 from 1950 roughly offset the increase in such production in 1950 over 1949. From this it can be deduced that long-term consumption of shoes did not vary much during the years 1949, 1950 and 1951 despite some buying spurts during short periods of a few weeks or a month here or there. The result was that the pickup in production in 1950 must have gone into inventories only to be worked off in 1951 by an offsetting drop in production in that year.

It would appear that finished-shoe inventories in the hands of retailers are now about equal to a year ago in units while higher in dollars.

GOVERNMENT CONTROLS

Because of rapidly rising prices and the fear of uncontrolled inflation, Congress passed the Defense Production Act in September 1950. The Office of Price Stabilization and the National Production Authority were organized late in 1950, under the Office of Defense Mobilization.

On January 26, 1951, the Office of Price Stabilization issued the General Ceiling Price Regulation which established ceiling

A small segment of the huge shipping department at our Delmar warehouse in St. Louis, Missouri.

Carol Stephens and Dudley Johns working on women's slip-lasted shoes at our Salem, Missouri factory.

prices as the highest price at which any commodity had been delivered in the period December 19, 1950 through January 25, 1951; with variations in certain situations.

On May 29, 1951, the O.P.S. issued Ceiling Price Regulation No. 41, the specific order for the shoe manufacturing industry. This established ceiling prices based upon pre-Korean prices adjusted for certain increases in cost occurring through March 15, 1951. This regulation established ceiling prices on our shoes higher than the selling prices then in effect on most of our shoes.

Shoe retailers came under C.P.R. No. 7 which was a regulation covering all retail pricing. This was effective May 30, 1951, and established retail margins based upon margins in a base period.

Dollars and cents ceiling prices were put on cattlehides, kips and calfskins by C.P.R. No. 2. The N.P.A. issued M-35 placing cattlehides, kips and calfskins under allocation on February 5.

As explained elsewhere in this letter, prices of hides, leather and shoes declined so that they were soon considerably under the ceiling prices established by these government regulations, and with overwhelming evidence of adequate supplies of shoes and leather products, government price and production controls of these items appear now so unnecessary as to make their continuance seem wasteful of the taxpayer's money.

OUTLOOK

Conditions are so vastly different in our industry from those anticipated just one year ago, that more than ordinary caution is felt in venturing comments on today's conditions and what might be expected. This much seems clear. The shoe industry along with most soft goods industries can forget about the problems of shortages if the defense program continues to build up gradually. Instead, our industry faces a wholesome, competitive, struggle in a strong buyers' market.

The situation in the shoe industry, and other soft goods industries, is made somewhat more difficult by reason of the disparity which now exists between these industries and the heavy goods industries. The latter are operating under the conditions of a wartime boom, in a strong sellers' market, quite different from the buyers' market in which the soft goods industries are

operating. The boom industries create manpower problems for all industries; frequently drawing off the more desirable workers. They also cause shortages of some materials needed by other industries. The conditions which boom these industries cause inflation and associated evils which bring on Government controls and extremely high taxes; and cause non-boom industries operating at comparatively low levels to pay "excess profits" taxes on what are altogether normal profits, hard won in an all-out competitive struggle.

Lasting heels and toes and sidelasting on men's dress welts by Vernie Sterling and George Locke, Madison Street Factory, St. Louis.

Our Company has maintained its position in a highly competitive industry by the production of good shoes, distributed at fair prices. It has a long record of steady profits and steady dividends. Despite the great needs of working capital brought on by the inflated price level, it has avoided any but short-term borrowing. Its statement of financial position is drawn on an extremely conservative basis. By use of the LIFO method, inventory values are stated at an amount substantially below today's market levels. A carefully prepared estimate of its plant property values establishes a sound value several times the net amount shown in its statement of financial position.

Additional capital has been put into the development of the Shoenterprise Corporation, wholly owned subsidiary. Through this agency independently owned and operated retail stores have been financed to distribute the Company's shoes in locations where its previous distribution was nil or wholly inadequate.

A virtual ceiling is placed on earnings under the present excess profits tax law. Your management is cognizant of the strange position of the more conservatively financed companies in the present-day capital market. There are at least two things which are unprecedented today: one, the extremely high corporate tax rates under which the government is a major partner in earnings with a take of 52% up to 70%; two, the artificially low interest rates maintained as a matter of government policy.

While these conditions exist—and there is little prospect of substantial change—an all-common-stock type of capitalization is at a peculiar disadvantage; since all payments for the use of capital must come from what remains of earnings AFTER paying the government 52% to 70%, while payment for use of bor-

rowed capital, at artificially low interest rates, is out of earnings BEFORE taxes. The result is that the net cost of borrowed capital AFTER taxes is only about one-third as much as the payment for capital in the form of common stock.

Your management is studying this problem and will remain alert to possibilities of improving the Company's position in this respect.

Conclusion

Orders taken at the opening of spring selling are in good volume. We have a good backlog with which to open the new year. Our new lines of footwear are attracting an unusual amount of attention, and prospects appear good for the coming season.

Our management is appreciative of the good year's work put in by the men and women who form the working force of our Company. With this strong organization and the continued loyalty of our many customers, we believe that 1952 will be a good year.

FOR THE BOARD OF DIRECTORS

Byron A Gray — CHAIRMAN OF THE BOARD

Edgar E Rand — PRESIDENT

February 1, 1952

A scene in our welt manufacturing department in Manchester, New Hampshire.

TO THE BOARD OF DIRECTORS,
INTERNATIONAL SHOE COMPANY,
ST. LOUIS MISSOURI

We have examined the statements of financial position of the International Shoe Company (a Delaware corporation) and two of its wholly owned subsidiaries, the Twelfth-Delmar Realty Company (a Missouri corporation) and the Shoenterprise Corporation (a Missouri corporation), as of November 30, 1951 and the related statements of income and retained earnings for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the year the International Shoe Company made sales to the United States Government which sales are subject to renegotiation.

In our opinion, the accompanying financial statements present fairly the financial position of the International Shoe Company, of the Twelfth-Delmar Realty Company, and of the Shoenterprise Corporation at November 30, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri,
December 31, 1951

PEAT, MARWICK, MITCHELL & CO.

ACCOUNTANTS' REPORT

Statement of Financial Position . . . AS OF NOVEMBER 30, 1951

	1951	1950
CURRENT ASSETS:		
Cash in banks and on hand	$ 5,375,437	$ 4,122,008
United States Government securities, at cost, and accrued interest	151,666	151,666
Accounts receivable, less provision for cash discounts and doubtful accounts	26,454,549	36,044,281
Inventories:		
At cost (determined on "last-in, first-out" method):		
Finished shoes	20,782,815	15,747,783
Shoes in process	2,938,925	3,241,111
Hides and leather	12,280,206	10,110,572
At lower of cost or market—miscellaneous materials and supplies on hand and in process	20,988,153	18,550,839
Total Inventories	*56,990,099*	*47,650,305*
Prepaid expenses—insurance premiums, taxes, and sundry	834,715	741,029
Total Current Assets	89,806,466	88,709,289
LESS—CURRENT LIABILITIES:		
Accounts payable and accrued expenses	8,756,895	12,102,939
Due to subsidiary companies	367,169	461,785
Employees' income tax withheld from payroll	548,838	583,134
Stockholders' and employees' balances	249,959	468,211
Federal taxes on income—estimated	13,380,000	·8,200,000
Total Current Liabilities	23,302,861	21,816,069
Net Working Capital	66,503,605	66,893,220
OTHER ASSETS:		
Federal income taxes recoverable under Section 22 (d) (6) I. R. C.	676,077	676,077
Employees' notes receivable for stock—secured by 58,100 shares and 64,300 shares, respectively, of Company's common stock	1,890,815	2,190,095
Investment in Shoenterprise Corporation ($3,250,000 and $1,500,000) and Twelfth-Delmar Realty Company (wholly owned subsidiaries)	3,500,000	1,750,000
Investment in and advances to other subsidiary companies	418,805	356,405
Investment in stocks of other companies, etc. (less reserve)	825,373	840,513
Company's own common stock—8,900 shares and 800 shares, at cost	349,894	30,039
	7,660,964	5,843,129
PHYSICAL PROPERTIES—based on appraisal April 30, 1925, plus subsequent additions at cost:		
Land and water rights	1,922,793	1,934,582
Buildings and structures	24,450,428	24,566,139
Machinery and equipment	24,733,231	24,528,423
Lasts, patterns, and dies	1	1
	51,106,453	51,029,145
Less—depreciation	32,365,016	31,679,426
	18,741,437	19,349,719
Net Worth	$92,906,006	$92,086,068
NET WORTH:		
Common stock without nominal or par value. Authorized 4,000,000 shares; issued 3,400,000 shares	$51,000,000	$51,000,000
Capital—in excess of stated amount	1,354,289	1,354,289
Earnings retained and used in the business	40,551,717	39,731,779
	$92,906,006	$92,086,068

Statement of Income . . . FOR THE YEARS ENDED NOVEMBER 30, 1951

	1951	1950
Net sales of shoes and other manufactured merchandise; and inter-plant transfers (at approximate market) from the Company's own supply plants (tanneries, cotton mill, rubber plant, cut sole plants, etc.) to shoe factories	$323,644,057	$273,906,568
Less—Inter-plant transfers	100,326,907	75,266,550
Net sales to customers	223,317,150	198,640,018
Other income	111,455	153,393
	223,428,605	198,793,411
Cost of shoes and merchandise sold, after charging operating expenses, maintenance of physical properties, selling, administrative, and warehouse expenses, and credit losses, less discount on purchases	200,857,116	177,583,102
Depreciation of physical properties	1,861,469	1,917,916
Other charges	389,001	140,983
Provision for Federal taxes on income, including $1,000,000 in 1951 and $275,000 in 1950 for excess profits tax	11,343,001	8,193,703
	214,450,587	187,835,704
NET INCOME FOR YEAR	$ 8,978,018	$ 10,957,707

Statement of Net Worth . . FOR THE YEARS ENDED NOVEMBER 30, 1951

	1951	1950
Net Worth at beginning of year:		
Common stock (issued 3,400,000 shares)	$ 51,000,000	$ 51,000,000
Capital—in excess of stated amount	1,354,289	1,354,289
Earnings retained and used in the business	39,731,779	37,442,932
	92,086,068	89,797,221
Net income for year	8,978,018	10,957,707
	101,064,086	100,754,928
Dividends on common stock—$2.40 per share in 1951 and $2.55 per share in 1950	8,158,080	8,668,860
Net Worth at end of year	$ 92,906,006	$ 92,086,068
Divided as follows:		
Common stock (issued 3,400,000 shares)	$ 51,000,000	$ 51,000,000
Capital—in excess of stated amount	1,354,289	1,354,289
Earnings retained and used in the business	40,551,717	39,731,779
	$ 92,906,006	$ 92,086,068

10-Year Comparison of Financial Position

INTERNATIONAL SHOE COMPANY

	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942
CURRENT ASSETS:										
Cash in banks and on hand	$ 5,375,437	$ 4,122,008	$ 5,672,283	$ 4,505,776	$10,434,001	$ 6,831,792	$13,184,307	$13,055,036	$19,255,192	$18,832,697
U. S. Government securities	151,666	151,666	151,666	151,666	2,393,487	6,042,386	19,604,783	20,380,048	22,499,066	11,038,000
Accounts receivable—net	26,454,549	36,044,281	28,854,146	33,763,344	27,105,524	16,890,241	14,846,128	18,945,636	16,002,933	16,357,079
Inventories	56,990,099	47,650,305	46,950,875	51,596,178	43,337,312	42,078,373	29,896,162	28,389,415	26,248,984	32,078,425
Prepaid expenses	834,715	741,029	674,825	695,759	525,594	542,961	412,425	375,345	416,825	475,619
Refunds of Federal taxes on income from carry back	—	—	—	—	—	2,211,001	—	—	—	—
Total current assets	$89,806,466	$88,709,289	$82,303,795	$90,712.723	$83,795,918	$74,596,754	$77,943,805	$81,145,480	$84,423,000	$78,781,820
LESS—CURRENT LIABILITIES:										
Notes payable to banks	—	—	$ 3,000,000	$ 5,000,000	—	—	—	—	—	—
Accounts payable and accrued expenses	$ 8,756,895	$12,102,939	$ 8,739,106	$10,427,607	$ 9,589,314	$10,634,651	$ 5,550,184	$ 7,102,989	$ 5,549,784	$ 4,365,403
Due to subsidiary companies	367,169	461,785	79,352	90,047	86,364	96,927	90,806	71,977	—	—
Employees' income tax withheld from payroll	548,838	583,134	361,963	406,377	742,831	552,961	428,089	402,496	—	—
Stockholders' and employees' balances	249,959	468,211	412,362	543,620	390,356	267,097	339,071	450,742	393,948	735,916
Federal taxes on income—estimated	13,380,000	8,200,000	4,700,000	8,850,000	8,950,000	1,690,000	6,000,000	8,750,000	13,050,000	9,800,000
Total current liabilities	$23,302,861	$21,816,069	$17,292,783	$25,317,651	$19,758,865	$13,241,636	$12,408,150	$16,778,204	$18,993,732	$14,901,319
Net working capital	$66,503,605	$66,893,220	$65,011,012	$65,395,072	$64,037,053	$61,355,118	$65,535,655	$64,367,276	$65,429,268	$63,880,501
OTHER ASSETS:										
Federal income taxes recoverable under section 22 (d) (6) I. R. C.	$ 676,077	$ 676,077	$ 676,077	$ 3,088,123	$ 2,674,617	$ 2,468,200	$ 1,145,457	$ 601,780	—	—
Employees' notes receivable for stock—secured	1,890,815	2,190,095	2,295,450	2,400,501	2,482,764	—	—	—	$ 32,778	$ 45,329
Investment in and advances to subsidiary companies	3,918,805	2,106,405	453,905	565,405	305,405	215,805	289,405	464,405	472,805	977,805
Investment in stocks of other companies, etc. (less reserve)	825,373	840,513	850,877	661,590	570,405	473,074	223,313	202,745	188,134	222,972
Company's own common stock	349,894	30,039	—	—	—	243,134	243,134	243,134	243,134	243,134
Estimated post-war tax refund	—	—	—	—	—	—	—	1,645,000	1,040,000	104,848
	$ 7,660,964	$ 5,843,129	$ 4,276,309	$ 6,715,619	$ 6,033,191	$ 3,400,213	$ 1,901,309	$ 3,157,064	$ 1,976,851	$ 1,594,088
PHYSICAL PROPERTIES:										
Land and water rights	$ 1,922,793	$ 1,934,582	$ 1,977,361	$ 1,980,019	$ 1,874,317	$ 1,898,353	$ 2,010,802	$ 2,032,265	$ 2,032,651	$ 2,033,048
Buildings and structures	24,450,428	24,566,139	25,416,409	24,924,160	23,984,530	22,373,138	21,700,908	21,625,307	21,826,570	21,888,832
Machinery and equipment	24,733,231	24,528,423	24,780,108	23,747,431	22,584,546	20,852,442	19,794,121	19,367,261	18,828,546	18,918,062
Lasts, patterns, and dies	1	1	1	1	1	1	1	1	1	1
	$51,106,453	$51,029,145	$52,173,879	$50,651,611	$48,443,394	$45,123,934	$43,505,832	$43,024,834	$42,687,768	$42,839,943
Less depreciation	32,365,016	31,679,426	31,663,979	30,255,702	29,542,235	29,225,778	28,531,815	27,634,195	27,129,438	26,445,443
	$18,741,437	$19,349,719	$20,509,900	$20,395,909	$18,901,159	$15,898,156	$14,974,017	$15,390,639	$15,558,330	$16,394,500
Total assets less current liabilities	$92.906,006	$92,086,068	$89,797,221	$92,506,600	$88,971,403	$80,653,487	$82,410,981	$82,914,979	$82,964,449	$81,869,089
DEDUCT RESERVES:										
For excess cost of replacing lifo inventories	—	—	—	$ 65,000	$ 150,000	$ 210,000	$ 310,000	$ 370,000	$ 370,000	—
For insurance	—	—	—	608,669	608,669	713,789	806,984	806,622	806,246	$ 805,454
For contingencies	—	—	—	—	—	—	1,000,000	1,000,000	1,000,000	1,000,000
Net Worth	$92,906,006	$92,086,068	$89,797,221	$91,832,931	$88,212,734	$79,729,698	$80,293,997	$80,738,357	$80,788,203	$80,063,635
Net Worth:										
Common stock	$51,000,000	$51,000,000	$51,000,000	$51,000,000	$51,000,000	$50,250,000	$50,250,000	$50,250,000	$50,250,000	$50,250,000
Capital — in excess of stated amount	1,354,289	1,354,289	1,354,289	1,354,289	1,354,289	—	—	—	—	—
Earnings retained and used in the business	40,551,717	39,731,779	37,442,932	39,478,642	35,858,445	29,479,698	30,043,997	30,488,357	30,538,203	29,813,635
	$92,906,006	$92,086,068	$89,797,221	$91,832,931	$88,212,734	$79,729,698	$80,293,997	$80,738,357	$80,788,203	$80,063,635

NOTE: For purposes of comparison, the figures of certain years have been restated to conform with the classification used in 1950. The figures shown above for the year 1943 and prior represent consolidated figures. The major subsidiary consolidated during this period has since been liquidated and the business previously carried on by such subsidiary was continued by the Company. Several minor subsidiaries were consolidated during this period, however, these subsidiaries are not significant and their inclusion does not materially affect the comparisons with other years.

40-Year Review of Income, Federal Taxes on Income and Dividends

INTERNATIONAL SHOE COMPANY

Fiscal Year	Net Sales and Inter-Plant Transfers (a)	Net Sales excluding Inter-Plant Transfers	Net Income before Federal Taxes	Federal Taxes on Income (b)	Net Income	Dividends Declared on Preferred Stock	Net Income Available for Common Stock	Net Income per Share on Common Stock (c)	Dividend Rate per Share on Common Stock	Shares of Outstanding Preferred Stock (d)	Shares of Outstanding Common Stock (d)
1912		$ 20,990,643	$ 1,955,130	$ 19,308	$ 1,935,822	$ 577,500	$ 1,358,322	$10.65		82,500	127,500(k)
1913		26,005,299	1,834,468	18,762	1,815,706	653,875	1,161,831	9.11	7.00	94,250	127,500
1914		24,114,860	1,523,619	14,721	1,508,898	659,750	849,148	6.66	7.00	94,250	127,500
1915		24,439,107	1,822,938	18,049	1,804,889	659,750	1,145,139	8.98	6.00	94,250	127,500
1916		33,574,914	4,189,409(e)	79,152	4,110,257(e)	659,750	3,450,507	27.06	7.00	94,250	127,500
1917		45,037,293	5,353,980	1,270,000	4,083,980	697,125	3,386,855	26.56	7.00	100,000	127,500
1918		50,810,947	4,397,880	1,585,000	2,812,880	700,000	2,112,880	16.57	8.00	100,000	127,500
1919		61,247,782	6,917,224	2,250,000	4,667,224	700,000	3,967,224	31.11	7.00	100,000	127,500
1920		75,617,895	8,914,491	2,644,257	6,270,234	846,250	5,423,984	42.54	8.00	122,500	127,500
1921		73,839,153	5,025,441	859,247	4,166,194	1,128,190	3,038,004	3.33	1.68	177,643	911,279(l)
1922		97,366,403	11,739,821	1,502,864	10,236,956	1,414,945	8,822,011	9.60	2.00	179,142	918,006
1923		109,922,738	11,703,988	1,405,347	10,298,641	1,421,753	8,876,888	9.64	2.75	178,000	920,000
1924	$154,758,491	110,240,651	15,123,263	2,062,468	13,060,795	1,424,000	11,636,795	12.64	4.00	178,000	920,000
1925	166,834,834	114,265,987	14,594,410	1,872,965	12,721,444	1,424,000	11,297,444	12.27	5.00	100,000	920,000
1926	172,913,346	116,980,835	15,279,118	2,061,542	13,217,576	600,000	12,617,576	13.71	6.00	100,000	920,000
1927	189,028,429	124,306,333	20,478,632	2,780,174	17,698,457	600,000	17,098,457	4.54	1.75	100,000	3,760,000(m)
1928	201,622,037	122,694,532	17,973,205	2,211,429	15,761,775	600,000	15,161,775	4.03	2.00	100,000	3,760,000
1929	204,962,637	132,110,129	19,207,966	2,176,532	17,031,434	600,000	16,431,434	4.37	2.50	100,000	3,760,000
1930	159,481,013	102,393,618	14,597,599	1,723,495	12,874,104	600,000	12,274,104	3.26	3.00	100,000	3,760,000
1931	132,479,371	86,802,293	11,088,135	1,343,319	9,744,815	600,000	9,144,815	2.55	3.00	100,000	3,510,000
1932	96,732,775	65,488,662	7,729,920	1,082,392	6,647,527	600,000	6,047,527	1.80	2.75	100,000	3,350,000
1933	105,302,056	70,343,128	10,764,075	1,673,508	9,090,566	425,810	8,664,756	2.58	2.00		3,350,000
1934	115,382,430	77,168,682	10,866,266	1,899,241	8,967,024		8,967,024	2.67	2.00		3,350,000
1935	118,157,495	83,073,459	10,031,599	1,489,637	8,541,962		8,541,962	2.55	2.25		3,350,000
1936	127,200,702	84,856,709	9,771,444	1,354,517	8,416,926		8,416,926	2.51	2.25		3,350,000
1937	137,393,752	88,278,810	7,394,495	1,127,503	6,266,992		6,266,992	1.87	2.00		3,350,000
1938	117,317,127	80,828,631	4,890,762	622,475	4,268,286		4,268,286	1.27	1.75		3,350,000
1939	132,753,494	89,325,446	8,061,896(f)	1,473,687	6,588,209(f)		6,588,209	1.97	1.75		3,350,000
1940	133,219,725	89,257,329	8,122,117	1,648,505	6,473,611		6,473,611	1.93	1.75		3,350,000
1941	175,541,874	116,530,243	9,691,079	2,484,042	7,207,037		7,207,037	2.15	2.00		3,350,000
1942	219,309,802	144,256,388	16,634,160(g)	9,639,207	6,994,952(g)		6,994,952	2.08	1.80		3,350,000
1943	211,356,750	142,841,095	18,690,734(h)	11,953,086	6,737,648(h)		6,737,648	2.01	1.80		3,350,000
1944	227,134,200	156,642,087	13,219,835	7,250,710	5,969,125		5,969,125	1.78	1.80		3,350,000
1945	223,088,844	148,783,704	10,731,210	5,162,490	5,568,720		5,568,720	1.66	1.80		3,350,000
1946	202,458,992	135,031,487	3,296,367(i)	(2,152,414)(j)	5,448,781(i)		5,448,781	1.62	1.80		3,350,000
1947	304,357,684	212,918,192	22,593,779	8,591,762	14,002,017		14,002,017	4.11	2.25		3,400,000
1948	309,674,450	219,804,880	22,008,601	8,188,404	13,820,197		13,820,197	4.06	3.00		3,400,000
1949	263,027,321	190,003,486	12,350,309	4,667,950	7,682,359		7,682,359	2.26	3.00		3,400,000
1950	273,906,568	198,640,018	19,151,410	8,193,703	10,957,707		10,957,707	3.22	2.55		3,400,000
1951	323,644,057	223,317,150	20,321,019	11,343,001	8,978,018		8,978,018	2.64	2.40		3,400,000

NOTE: The above tabulation with respect to certain years presents the figures of the Company and its subsidiaries consolidated. The major subsidiaries consolidated during the period have since been liquidated and the business previously carried on by these subsidiaries was continued by the Company. Several minor subsidiaries previously consolidated have not been consolidated subsequent to 1943; the unconsolidated subsidiaries are not significant and their exclusion does not materially affect the comparisons over the years. (a) Includes production of shoe materials and supplies by own supply plants (tanneries, cotton mill, rubber plant, etc.) in addition to net sales of shoes and other manufactured merchandise. Figures not available prior to 1924. (b) Federal taxes on income include excess profits taxes in years where applicable. (c) Based on shares of common stock outstanding at close of fiscal year. (d) Number of shares outstanding at close of fiscal year; common stock includes, where applicable, Company's own common stock held for re-sale carried as an asset. (e) Before provision of $1,000,000 for trade conditions affecting raw materials market; reserve transferred to surplus during fiscal year 1921. (f) After providing $550,000 for contingencies. (g) After providing $450,000 for contingencies. (h) After providing $222,447 for contingencies. (Net amount of payment to U. S. Government a/c renegotiation.) (i) After including transfer of $1,000,000 reserved for contingencies previously provided by charges to profit and to loss. (j) Net amount of income tax refundable due to carry back provisions of the Internal Revenue Code. (k) Par value of $100 per share. (l) After giving effect to exchange of each share of $100 par value Common Stock (Mo. Corporation) for 6 shares no par value Common Stock (Del. Corp.). (m) After stock split-up on the basis of 4 shares for one.

Statement of Financial Position . . . AS OF NOVEMBER 30, 1951

	1951	1950
ASSETS:		
Cash in bank and on hand	$ 155,950	$ 77,439
Accounts receivable	34,092	55,937
Prepaid expenses	139	174
Land ($887,807), building, and equipment, at cost, less depreciation, $253,209 in 1951 and $176,849 in 1950—pledged as collateral on mortgage notes payable	3,137,554	3,188,453
Total Assets	3,327,735	3,322,003
LESS—LIABILITIES:		
Mortgage notes payable to banks maturing $8,333 monthly to October 1, 1953 and balance due November 1, 1953	2,691,666	2,791,667
Accounts payable and accrued expenses, including amounts withheld for taxing authorities	157,074	127,806
Total Liabilities	2,848,740	2,919,473
Net Worth	$ 478,995	$ 402,530
NET WORTH:		
Capital stock—authorized 1,000 shares without par value; issued and outstanding—250 shares	$ 250,000	$ 250,000
Retained earnings	228,995	152,530
	$ 478,995	$ 402,530

Statement of Income and Retained Earnings

FOR THE YEARS ENDED NOVEMBER 30, 1951

	1951	1950
Income from rentals and services (International Shoe Company, $165,441 in 1951 and $153,482 in 1950)	$ 523,118	$ 508,330
Prior year's adjustment less applicable income taxes thereon	11,008	—
	534,126	508,330
Operating and maintenance costs, including depreciation $75,615 in 1951 and $74,547 in 1950	308,409	295,119
General and administrative expenses	11,593	11,306
Interest on mortgage notes payable	82,375	88,125
Federal taxes on income—estimated	55,284	44,479
	457,661	439,029
Net Income for Year	76,465	69,301
Retained earnings at beginning of year	152,530	83,229
Retained earnings at end of year	$ 228,995	$ 152,530

Statement of Financial Position . . . AS OF NOVEMBER 30, 1951

	1951	1950
ASSETS:		
Cash in bank	$ 115,181	$ 106,426
Loans receivable—secured	1,895,582	1,078,920
Accounts receivable—interest and sundry	35,768	20,275
Due from International Shoe Company—net	296,901	314,967
Due from subsidiary companies	747,998	—
Investment in subsidiary companies	267,573	—
Sundry advances	26,724	—
Total Assets	3,385,727	1,520,588
LESS—LIABILITY:		
Estimated taxes on income	55,716	5,160
Net Worth	$3,330,011	$1,515,428
NET WORTH:		
Capital stock—authorized 2,000 shares without par value; issued and outstanding 1,300 shares and 600 shares	$3,250,000	$1,500,000
Retained earnings	80,011	15,428
	$3,330,011	$1,515,428

Statement of Income and Retained Earnings

FOR THE YEAR OR PERIOD ENDED NOVEMBER 30, 1951

	1951	1950 (nine months)
Income from interest and commissions	$ 144,757	$ 30,735
Operating expenses	25,776	10,461
Federal taxes on income—estimated	54,398	4,846
	80,174	15,307
Net Income for Year	64,583	15,428
Retained earnings at beginning of year	15,428	—
Retained earnings at end of year	$ 80,011	$ 15,428

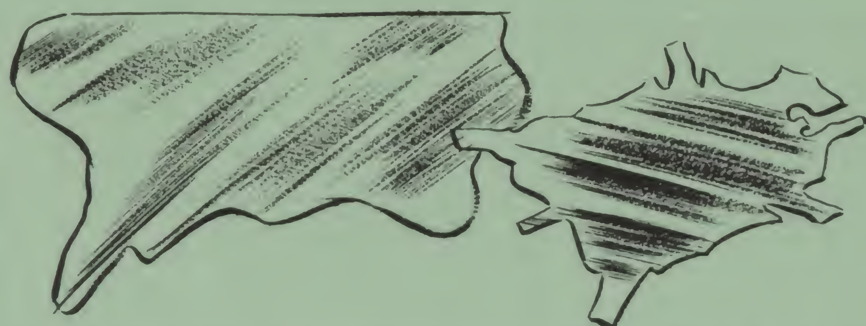
PRODUCTION

SHOES

Our Company's principal production is shoes, and shoes are the only thing we produce for sale to others.

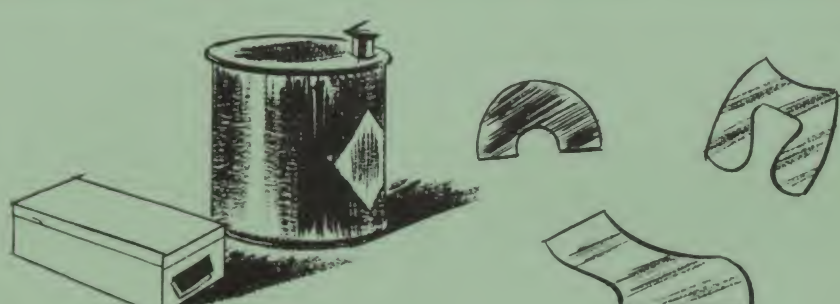
However, our Company carries on a vast amount of other production of things used in the manufacture of shoes. Of these we produced:

MATERIALS FOR SHOE UPPERS



MATERIALS FOR SHOE BOTTOMS

OTHER MATERIALS AND SUPPLIES USED IN SHOES AND FOR FASTENING, MAKING AND PACKAGING SHOES



SUMMARY

During 1951, we produced:

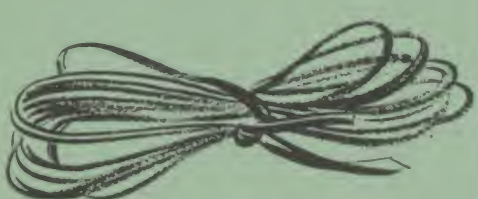
SHOES

for Men and Boys	Pairs	17,191,156
for Women and Girls	Pairs	14,291,517
for Children	Pairs	15,953,894
House Slippers	Pairs	896,814
	Total	48,333,381

of this type of production our Company sold $223,317,150

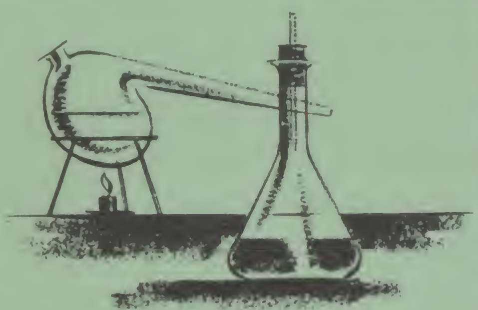
Leather for Uppers (including Linings) from Cattle Hides and Lambskins (Calfskins and Goatskins tanned under contract not included)	Feet	71,468,615
Cloth for Linings from Cotton	Yards	5,687,020

This type of production had an aggregate value of $35,244,672



Soles, of Leather (some shoes take several soles)	Pairs	58,997,138
Soles, of Rubber	Pairs	14,131,295
Counters, of Leather	Pairs	23,770,069
Heels, of Leather (some shoes take leather and rubber heels)	Pairs	9,433,239
Heels, of Rubber	Pairs	24,612,990
Leather, for Soles from Cattle Hides	Pounds Feet	22,170,510 10,918,745
Welting, Leather	Yards	17,314,296

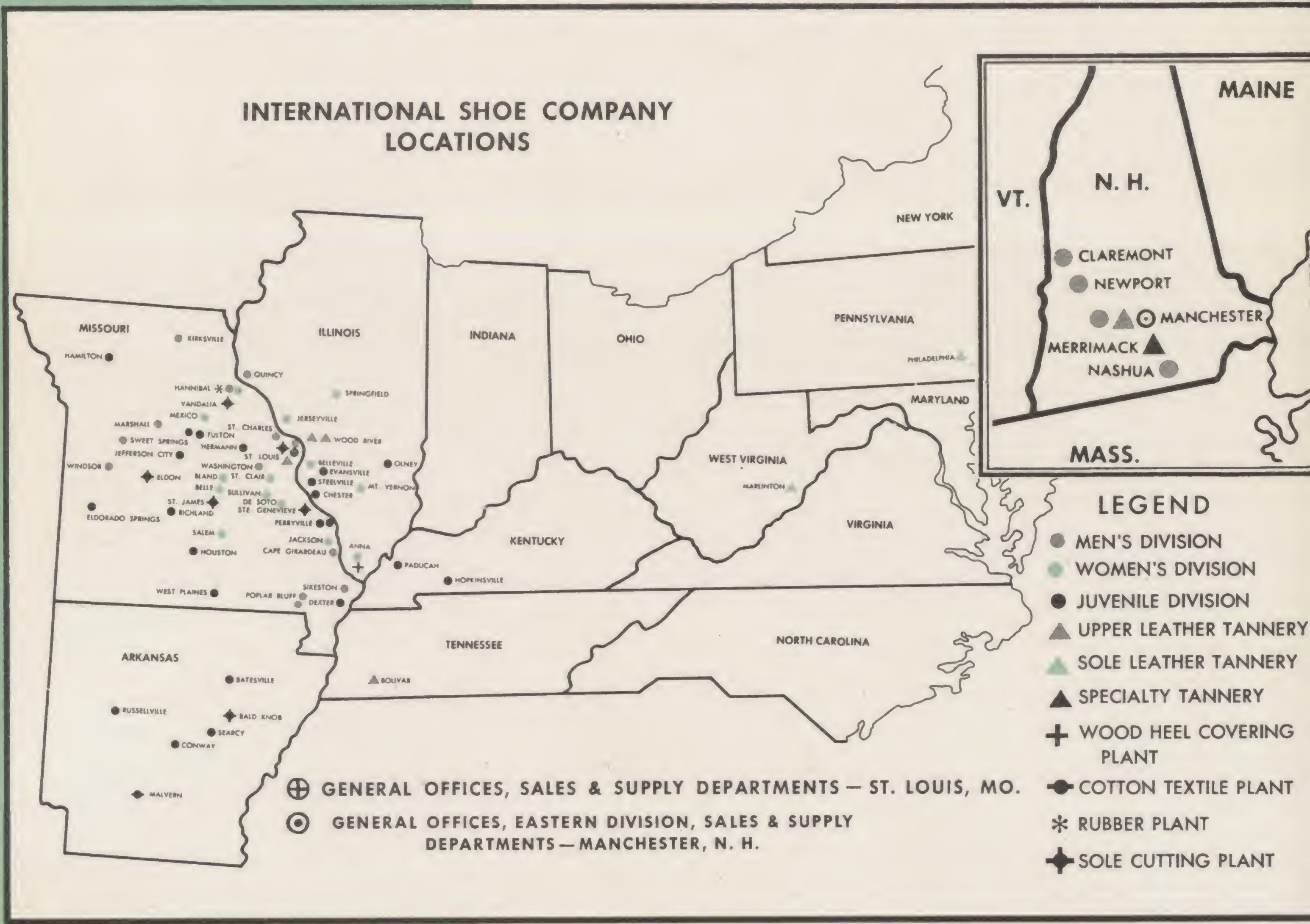
This type of production had an aggregate value of $56,194,226



Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns, and others.

This type of production had an aggregate value of $8,888,009

TOTAL VALUE OF PRODUCTION—
Shoes and Materials and Supplies........**$323,644,057**



PLANT FACILITIES

There were no major changes in the Company's plant facilities during the year 1951. Conversions and realignments were made to provide facilities for better production, warehousing and distribution of new types of shoes and for the additional production of military and other lines of shoes.

A Men's and Boys' Cement Casual unit was established in a portion of the St. Charles, Missouri shoe factory.

A program extending over several years was completed with the installation of modern box making machinery of improved design and efficiency.

Rearrangement of the Hannibal 7th St. Factory effected an improved layout of machinery and equipment.

Throughout all of our plants new methods and techniques, designed to increase efficiency and reduce cost, are constantly being introduced.

The Company's principal plant facilities include:

MANUFACTURING PLANTS

Shoe Factories	53	Manufacturing Men's, Women's and Juvenile shoes.
Sole Cutting Plants	5	Producing leather outsoles, insoles, midsoles, counters.
Heel Plant	1	Building leather heels.
Rubber Plant	1	Manufacturing rubber soles and heels.
Cotton Textile Mill	1	Producing cloth for shoe linings.
Welt Manufacturing Plant	1	Producing leather welting.
Chemical Plants	2	Producing finishes, waxes, polishes and cements.
Box Plant	1	Producing cartons and containers.
Wood Heel Covering Plant	1	Covering and finishing wood heels.
Last Remodeling Plant	1	Last remodeling.
Findings Plant	1	Producing stripping, piping, bows, box toes and other shoe findings.

TANNERIES

Upper Leather Tanneries	5	Tanning shoe upper leather.
Sole Leather Tanneries	3	Tanning shoe sole leather.

SUPPLY PLANTS

Upper Leather Supply Plants	2	Warehousing, grading and distributing upper leather to shoe factories.
Central Supply Plants	2	Distribution center for shoe findings, materials and supplies.
Central Machine Shops	2	Repairing and building machinery and equipment.

WAREHOUSING

Finished Shoes	4	Warehousing, order filling and shipping of finished shoes.

HOUSING

110 homes at a cost of $850,000 were acquired by our Company in new plant communities immediately following World War II to provide places to live for supervisory personnel. 30 of these homes have now been sold, mostly to employees, and the Company is continuing to dispose of the remaining 80 homes, representing an investment of $660,000.

SALES BRANCHES

St. Louis

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Pennant Shoe Co.
Accent Shoe Co.
Vitality Shoe Co.
Queen Quality Shoe Co.
Dorothy Dodd Shoe Co.
Winthrop Shoe Co.
Conformal Footwear Co.

Manchester, N. H.

Sundial Shoe Co.
Great Northern Shoe Co.
Hampshire Shoe Co.

LOCATION OF SHOE FACTORIES AND SUPPLY PLANTS

Missouri

Belle
Bland
Cape Girardeau
De Soto
Dexter
Eldon
Eldorado Springs
Fulton
Hamilton
Hannibal
Hermann
Houston
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
Poplar Bluff
Richland
St. Charles
St. Clair
St. James
Ste. Genevieve
St. Louis
Salem
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington
West Plains
Windsor

Illinois

Anna
Belleville
Chester
Evansville
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

Arkansas

Bald Knob
Batesville
Conway
Malvern
Russellville
Searcy

New Hampshire

Claremont
Manchester
Nashua
Newport

Kentucky

Hopkinsville
Paducah

LOCATION OF TANNERIES

South Wood River, Illinois
St. Louis, Missouri
Manchester, New Hampshire
Merrimack, New Hampshire
Philadelphia, Pennsylvania
Bolivar, Tennessee
Marlinton, West Virginia

ISCO MEN AND WOMEN

Bob Gillock, superintendent of our Jefferson City, Missouri shoe factory, presents a check for $250.00 to Thomas Thornberry for his suggested improvement in a lasting operation.

Some of our bowling teams of the Company's St. Louis recreational division.

Here are a few of the many employees from our General Office in St. Louis who donated blood to the Red Cross blood bank.

Miss Alma Glenn Almon presenting a birthday cake to Charles Evans, the main speaker at the Annual picnic of employees of our Malvern, Arkansas textile mill—Supt. L. L. Brown is in the background.

Our capable working force—33,000 men and women—did a good job in 1951. By good, earnest, intelligent and individual application to a great multiplicity of individual tasks, all of them contributed to the year's accomplishment.

While our employees worked at the highest wage and salary rates in the history of the company, some did not have the opportunity to work as many days as in other years due to the necessity of curtailing production in some plants.

Wage and salary rates were increased approximately the same amount as in the previous year, making a total of 12% in the past 18 months.

Vacation of one week with pay was enjoyed by employees with one year of service, and those with five years of service, two weeks with pay. In addition they received six paid holidays. Vacation and holiday pay amounted to more than $4,000,000.

During the year six representation elections were conducted by the National Labor Relations Board. In all instances the majority of the employees in the unit voted against representation by the petitioning union.

The safety record in 1951 proved again that International Shoe is a safe place to work. The lost time accident frequency continued well below the average for our industry.

An ever-increasing number of our men and women availed themselves of the facilities of the Medical Department and its broadened health program.

Our employees continued to show their appreciation of the Company's insurance program covering sickness, accident and health. $256,000 was paid out in benefits. Death benefits of $444,000 were also paid to 159 families of deceased employees.

Our employees, in addition, benefitted by unemployment compensation and old age benefits provided through the Federal Social Security Act.

The recreation program grew steadily, successfully assisting and supporting the recreational activities of the men and women employed in our various units.

Many worth-while suggestions were received by the Company Suggestion Committee from employees in almost every Company plant. The suggestions varied in content from improvement in safety or health protection to highly technical suggestions for possible improvement in mechanical equipment. We are always pleased when we can make another of our many cash awards for suggestions of exceptional merit.

Our program of supervisory development and training continued and was expanded in some areas.

Our employees continued to be well informed of Company operations and results by further development of our program of employee communications.

Official representatives of the Japanese Government are shown visiting our Jefferson City, Missouri shoe factory.

COMMUNITY RELATIONS

Over the year our Company continued to develop a better understanding with the people of the communities where we operate.

Company officials appeared as speakers before numerous community groups—chambers of commerce, service clubs, colleges, high schools, industrial conventions, business and professional groups and others. They also took part in college programs as guest lecturers, in Industry and Labor Relations classes, classes in Business Administration, served on panels in Career Planning for the students and conducted Industrial and Human Relations Clinics. These contacts kept us in touch with the more important aspects of community life and maintained and improved the Company's relations in the communities where we operate.

Open house programs were conducted in a number of our plants, and local citizens in large numbers availed themselves of the opportunity to visit our plants.

The Company participated in a number of Business-Industry-Education Day programs and teachers from the schools appreciated the opportunity to see our plants, to see free enterprise at work.

We provided exhibits at fairs, festivals and expositions in a number of plant communities. Our officials remained in touch with civic leaders through periodic communications.

Members of the Economics Class of the Kirksville State Teachers College seeing how men's shoes are made.

Elmer Thoelke, Superintendent of our Kirksville, Missouri Factory shows members of the Rotary how upper leather parts are cut.

OUR 30,000 CUSTOMERS

We depend upon our more than 30,000 good customers to buy from the distributing branches of our Company some 50 millions of pairs of shoes each year.

They do this because they have learned to depend upon the character and integrity of our Company and its product.

We are proud of this enduring relationship and strive to conduct our business so as to continue to merit their confidence.

They distribute International shoes throughout the 48 states, Alaska, Hawaii, Puerto Rico, the Canal Zone and a number of foreign countries.

Their places of business—friendly contact points with the consumers of shoes—are found wherever people buy shoes. They are in the small and large cities, both in the downtown and in the suburban shopping centers—they are in the county seat towns, farming communities and small villages.

Mission Bootery, Inc.—Riverside, California

F. & S. Bootery—Minneapolis, Minn.

Marco's Shoes—Coral Gables, Fla.

Grober Shoe Co.—Fort Smith, Ark.

Crawford's—Buffalo, New York

Corland's—Albuquerque, N. M.

Smith's Shoes—Dallas, Texas

Rand Shoe Store—Chicago, Ill.

Pictured here are eight of the new stores opened during the year under the Shoenterprise plan of setting up independently owned and operated retail outlets to distribute our shoes in locations where our distribution previously was nil or wholly inadequate.

Over 100 stores of this kind have been opened under this plan since it began in late Spring of 1950. These stores provide very effective representation for our shoes at the retail level. The stores emphasize pleasant interiors, complete stocks, competent sales people and careful fitting and give the consumer the opportunity to get acquainted with International's shoes in the retail centers where they are located. They have been well received by the consuming public.

The Shoenterprise plan aids the young man with vision, talent, energy and small capital accumulation to get in business for himself. It provides him with the great incentive of owning a fine business in a comparatively few years.

NEW DEVELOPMENTS IN 1951

FACTORY BOX MAKING UNIT

Pictured at our Mt. Vernon, Illinois shoe factory, Mrs. Thelma Shehorn is performing the operation of box making. This unit is typical of the box making units which were established in fourteen shoe factories during 1951.

These units save on space and transportation costs.

BOL TAN INSOLE

In mid-September, Mr. Edgar E. Rand announced a development of great benefit to the wearers of work shoes — the Bol Tan Insole, which was developed and produced by our Company. In making this announcement, Mr. Rand predicted that the new insole will add considerably to the wear and comfort of work shoes.

The insoles shown here were removed from a pair of work shoes which had been subjected to extreme conditions in a steel foundry. The Bol Tan insole on the left showed little sign of wear, while the regular insole on the right showed the effects of the extreme conditions.

The need for a perspiration resistant insole has long been recognized by the shoe industry and has for many years been the subject of research by our Tanning Division.

MEN'S AND BOYS' CEMENT CASUAL SHOES

Miss Ethel Quinley is shown performing the final operation in the manufacture of Cement Casual Shoes at our St. Charles, Missouri shoe factory.

Production of this new line was started early in November to meet the growing demand for this type of footwear. These shoes are made in a choice of cloth or leather uppers, with 36 or 42 iron Cush-N-Crepe soles, and retail at prices ranging from $6.95 to $8.95.

Demand for this line of shoes is evidenced by a substantial accumulation of unfilled orders.

NEW QUARTER FORMING MACHINE

Developed and manufactured by our own Machinery and Power Department, this new machine is demonstrated by Charles Haynes, Packing Room foreman at the Marshall, Missouri shoe factory.

This machine improves the fit of the quarter, at a substantial saving in cost.

SOLE LEATHER TANNERY PILOT PLANT

This unit was established in our Philadelphia, Pa. Tannery for the purpose of testing, on a production scale, new sole leather tanning processes previously developed on a laboratory or miniature scale.

The prime objectives are to improve the quality and reduce the cost of tanning cattle hides into sole leather.

Shown in the picture are Truman Cunningham and James Fleet, preparing to place some hides in a paddle vat.

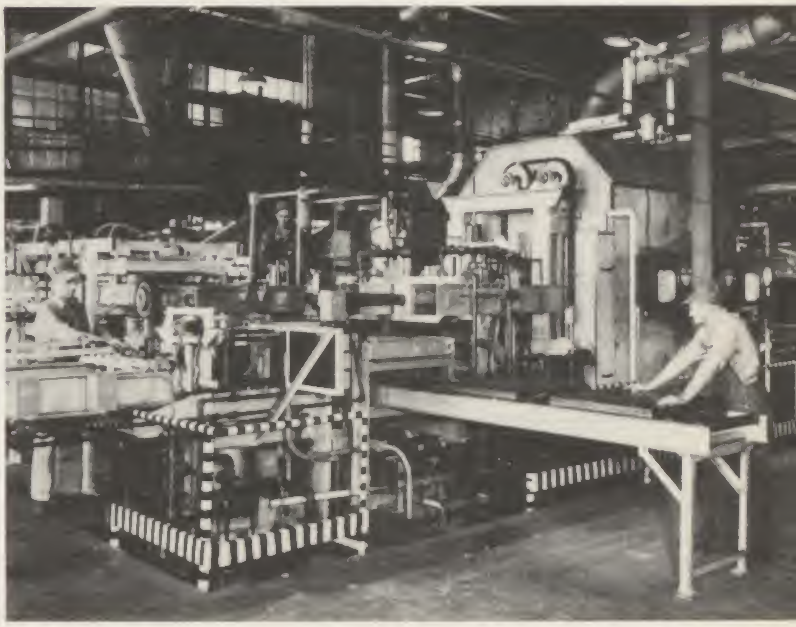
FOOTWEAR FOR THE ARMED FORCES

Joseph Dulle, Superintendent of our Washington, Missouri Factory, Herbert Nolting, Packing Room Foreman, Jack Jones, Factory Office Manager, and Logan Kelley, General Superintendent of the Men's Manufacturing Division look over a few pairs of army combat boots.

The Washington Factory manufactured 650,000 pairs of army footwear during 1951. In addition, eight others out of the Company's fifty-three shoe factories were engaged during some part of the year in the production of military footwear.

The various types of military footwear we produced during 1951 consisted of the following:

Army Combat Boots, Army Type 2 Service Shoes, Army Garrison Oxfords, Navy Field Shoes, Navy Dress Oxfords, Navy General Purpose Shoes, Marine Combat Boots, Marine Dress Oxfords, Army Safety Shoes.



IMPROVED HEEL CURING UNIT

This modern unit in our Hannibal Rubber Plant is now in full operation. Shown operating the controls are Charles Glascock, Leonard Muehring and Sylvester Schnelle.

The machine is designed to increase the efficiency and reduce the cost of heel production. It produces a controlled uniform cure of rubber and eliminates all manual handling of the molds.

Our Hannibal, Missouri Rubber Plant, which has been producing long-wearing rubber soles and heels for the past twenty-seven years, has a floor area equivalent to approximately 5½ acres. The plant operates three shifts in the principal departments, and employs an average of 650 people. During 1951 this plant produced approximately 14,000,000 pairs of rubber soles and 24,500,000 pairs of rubber heels.

Advertising HELPS MAKE THE SALES WHEELS

ADVERTISING ON

Television

"Super Circus"

Explored and approved in 1949 by International Shoe Company . . . with the amazingly successful "Howdy Doody Show" for Poll-Parrot Shoes . . . television has proved its power over and over again. Today, International has four major TV shows.

"Howdy Doody"

• **THE HOWDY DOODY SHOW** . . . for Poll-Parrot Shoes every Friday over the NBC-TV network plus key independent stations coast-to-coast. A long-time children's favorite and sales producer.

• **SUPER-CIRCUS** . . . for Weather-Bird Shoes every other Sunday afternoon over the ABC-TV network plus key independent stations coast-to-coast.

• **MOVIES FOR KIDS** . . . for Red Goose Shoes, a thrilling half-hour show in nearly 20 key markets plus special full-hour productions in Chicago and Los Angeles every Saturday morning. The first Saturday morning film-serial show on TV for kids—and still the strongest.

• **LUCKY PUP** . . . a top-ranking children's show selling Sundial Shoes throughout the East.

"Lucky Pup"

"Movies for Kids"

GO AROUND FOR INTERNATIONAL SHOE COMPANY

Every man, woman and child who wears shoes is a prospect for shoes made by International. And that's why International's advertising, in its many forms, continues stronger than ever . . . telling and selling prospects . . . helping International maintain its position as "world's largest shoemakers!"

ADVERTISING IN

Leading Magazines

Shown here are some of the powerful national publications that carry International Shoe Company advertising . . . that help it sell its men's and women's and children's shoes all over the country.

ADVERTISING IN

Newspapers . . . ON Radio

Under our company's cooperative advertising plan, our customers run countless lines of newspaper advertising and innumerable spot radio announcements on the local level . . . selling International shoes.

A FEW OF OUR MANY STOCKHOLDERS

Dr. George A. Akin at his desk in his office at Marshall, Missouri.

STOCKHOLDERS

Pictured here are a few of the more than 12,000 owners of the 3,400,000 shares of Company stock issued. In the past ten years the number of people who have invested in our Company has risen from approximately 8,000—an increase of 50%.

Women continue to predominate in the number of individuals who are stockholders in our Company. Included among the holders of our stock are 33 universities, schools and colleges; and 67 charitable organizations, hospitals and churches.

Our stockholders live in every state of the union and 12 United States possessions and foreign countries, with no one person or organization owning as much as 3%.

Washington University
St. Louis, Missouri

"Sunny" Jim Bottomley of Bourbon, Missouri, former first baseman of the famous St. Louis Cardinal Pennant Winners of 1926 and Mrs. Bottomley.

The First Methodist Church, Pasadena, California.

Miss Esther Foley, assistant office manager of our Cape Girardeau factory, who has been associated with our Company for 36 years.

"Best of Shoe Manufacturing and Leather Industry" Awarded our 1949 and 1950 Annual Reports by Financial World.

1949

1950

OUR MANAGEMENT...

appreciates its responsibilities to

Stockholders . 12,000
Employees . . . 33,000
Customers . . . 30,000

Responsibilities to these three large groups are not, however, separate and distinct, or in any sense conflicting.

Company policy must benefit all, or none. All benefit together from sound conduct of the business, or all suffer from unsound operation.

The Company is dependent on all three . . .

stockholders: for continued investment of money to provide the plants, the machines, the tools with which our employees can work and produce.

employees: for loyal and cooperative work in the effective use of the tools provided by the stockholders.

customers: for taking the product of the employees' skills and efforts with the use of the stockholders' plants, machines and tools—and distributing that product throughout the land, sending back the money to pay for wages, materials and dividends.

Our management attempts to set the policies of our Company so that it will continue to grow soundly.

Such sound policies, firmly adhered to in the daily administration of the affairs of the business, benefit stockholders, employees and customers, jointly and mutually.

Our Company's management is keenly conscious of the importance of its function and the necessity of maintaining a high degree of management competence by the gradual shift of responsibility to carefully selected younger men.


WORLD'S LARGEST
MANUFACTURER OF MEN'S
WOMEN'S AND CHILDREN'S
SHOES
Claston
Accent
HY-TEST
WINTHROP
STAR BRAND
CONFORMAL FOOTWEAR
Randcraft
YANIGANS
Polly DEBS
Cheer Leaders
Poll Parrot